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Message Text

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60
ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-10 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02

FRB-01 OMB-01 L-02 TAR-01 SSO-00 SS-15 NSC-05 PA-02

PRS-01 USIE-00 INRE-00 NSCE-00 /087 W
---------- 057857
O R 062244Z MAR 75
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 5836
INFO USMISSION GENEVA

UNCLAS OTTAWA 0833

GENEVA ALSO FOR USDEL MTN

E.O. 11652: N/A
TAGS: EPAP, ETRD, CA, US
SUBJ: TEXTILE: CANADIAN ACTIONS AFFECTING U.S. TEXTILE
EXPORTS

REF: OTTAWA A-628, DEC 6, 1974

1. INUDSTRY, TRADE AND COMMERCE MINISTER GILLESPIE TABLED
FIVE REPORTS OF TEXTILE AND CLOTHING BOARD IN HOUSE OF
COMMONS TODAY (MARCH 6). HE STATED THAT GOC "ACCEPTS THE FINDINGS
OF THE BOARD AND IS INITIATING APPROPRIATE ACTION IN
EACH CASE IMMEDIATELY." (MINISTER'S FULL STATEMENT AND COPIES
OF REPORTS WILL BE SENT BY AIRGRAM AS SOON AS AVAILABLE).
U.S. TEXTILE EXPORTS ARE AFFECTED AS DESCRIBED IN
FOLLOWING EXCERPTS FROM MINISTER'S STATEMENT.

2. POLYESTER FILAMENT YARN: BEGIN QUOTE. THE BOARD
RECOMMENDS A SURTAX ON IMPORTS FROM ALL SOURCES. THE BOARD
NOTED THAT THE PRINCIPAL IMPORT SOURCES FOR THE FIRST
ELEVEN MONTSH OF 1974 WERE WEST GERMANY, THE UNITED
STATES, AUSTRIA, SWITZERLAND, FRANCE, THE UNITED KINGDOM,
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AND JAPAN, IN THAT ORDER. IN RECOMMENDING SURTAX, THE

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BOARD STATED "IT IS NOT THE BOARD'S INTENTION THAT THESE MEASURES LIMIT THE NORMAL FLOW OF IMPORTS FRM ANY SOURCE, AND IT IS NOT THE BOARD'S EXPECTATIONS THAT THEY WILL BE REQUIRED FOR ANY EXTENDED PERIOD." APPROXIMATELY 30 PERCENT OF CANADA'S PLOYESTER FILAMENT YARN CONSUMPTION IS SUPPLIED BY IMPORTS.

THE GOVERNMENT IS PLACING PLOYESTER FIALMENT YARN ON THE IMPORT CONTROL LIST IMMEDIATELY FOR SURVEILLANCE PURPOSES TO OBTAIN INFORMATION OTHERWISE UNAVAILABLE ON VOLUME OF IMPORTS BY CATEGORY (NATURAL" OR "DYED"), AND DENIER COUNT, RELATED EXPORT SELLING PRICES, AND SOURCES. INDIVDUAL IMPORT PERMITS WILL BE ISSUED FREELY TO IMPORTERS ON PRESENTATION OF THE FOREGOING INFORMATION. HOWEVER, THE BOARD'S RECOMMENDATION TO APPLY SURTAX REQUIRED FURTHER ANALYSIS IN VIEW OF ITS IMPLICATIONS, BOTH IN TERMS OF DOMESTIC AND TRADE POLICY.

IN VIEW OF THE TEXTILE AND CLOTHING BOARD'S CONCERN ABOUT UNUSUALLY LOW PRICES OF POLYESTER YARN OFFERED FROM ANY COUNTRY "WHETHER OR NOT DUMPTED IN THE TECHNICAL SENSE", A REVIEW WILL BE MADE OF THE CURRENT VALUES BEING USED AS A BASIS OF DUTY TO DETERMINE WHETHER ACTION IN RESPECT OF POSSIBLE DUMPING IS WARRANTED. END QUOTE.

3. POLYESTER/COTTON FABRICS: BEGIN QUOTE. THE BOARD IS NOT SATISFIED THAT IMPORTS ARE PRIMARILY RESPONSIBLE FOR THE PROBLEMS WHICH HAVE ARISEN, NOR THAT IMPORTS FROM JAPAN AND TAIWAN, THE COUNTRIES SPECIFICALLY REFERRED TO IN THE ALLEGATION OF INJURY AND THE REQUEST FOR SPECIAL MEASURES, HAVE SO FAR PLAYED MORE THAN A SECONDARY ROLE IN THOSE PROBLEMS.

THE BOARD FOUND THAT "MARKETS FOR PLOYESTER/ COTTON FABRICS IN CANADA AND THROUGHOUT THE WORLD HAVE RECENTLY BEEN SERIOUSLY DISTRUBED. VIOLENT GYRATIONS IN THE PRICE OF RAW COTTON AND SUBSTANTIAL CHANGES IN THE PRICE AND AVAILABILITY OF POLYESTER STAPLE FIBRE
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HAVE BEEN IMPORTANT CAUSAL FACTORS. RETAILERS, MANUFACTURERS, IMPORTERS AND OTHERS HAVE EXACERBATED THE PROBLEM BY INCREASING INVENTORIES WHEN SUPPLIES WERE SHORT AND REDUCING INVENTORIES WHEREVER POSSIBLE WHEN SUPPLIES BECAME EASY AND DELIVERIES QUICK. IN THE BOARD'S VIEW, THIS COMBINATION OF FACTORS, COUPLED WITH THE GENERAL RECESSION IN BUSINESS, HAVE BEEN PRIMARILY RESPONSIBLE FOR THE RECENT SHARP REDUCTION

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IN CANADIAN SHIPMENTS OF POLYESTER/COTTON FABRICS AND THE VERY LOW LEVEL OF ORDERS NOW ON HAND."

THE BOARD ALSO CONCLUDED THE UNITED STATES RATHER THAN THE SO-CALLED LOW-COST COUNTRIES STILL OFFERS THE MOST FORMIDABLE COMPETITION TO THE CANADIAN PRODUCER, ALTHOUGH THE JAPANESE POSITION MAY WELL HAVE GAINED RELATIVELY IN THE LAST FEW MONTHS.

"IN VIEW OF THE RECENT UPWARD TREND IN IMPORTS OF FINISHED FABRICS FROM JAPAN AND REPORTS THAT SUCH GOODS ARE CURRENTLY BEING OFFERED AT VERY LOW PRICES, THE BOARD CONSIDERS THAT IMPORTS FROM THAT SOURCE, AND ALSO FROM TAIWAN, SHOULD BE KEPT UNDER CLOSE OBSERV-ATION IN THE COMING MONTHS WITH A VIEW TO QUICK ACTION IN ACCORDANCE WITH THE ARRANGEMENT REGARDING INTER-NATIONAL TRADE IN TEXTILES IF AND WHEN SUCH ACTION IS REQUIRED. THE BOARD DOES NOT, HOWEVER, CONSIDER THAT THE APPLICATION OF SPECIAL MEASURES IN RESPECT OF SUCH IMPORTS WOULD BE JUSTIFIED AT THE PRESENT TIME."

THE GOVERNMENT WILL KEEP IMPORTS OF PLOYESTER/COTTON UNDER CLOSE OBSERVATION, AS RECOMMENDED BY THE BOARD. END QUOTE.

4. SHEETS AND PILLOWCASES: BEGIN QUOTE. "IN THE BOARD'S OPINION, THE SUBSTANTIAL INCREASES IN IMPORTS OF SHEETS AND PILLOWCASES FROM THE UNITED STATES COMMENCING IN MID-1973 WERE TO A LARGE EXTENT THE DIRECT RESULT OF WOULD-BE PURCHASERS OF CANADIAN MADE GOODS BEING UNABLE TO OBTAIN THEIR REQUIREMENTS IN CANADA. IT FOLLOWS THAT, GIVEN EXISTING TARIFF LEVELS, AS CANADIAN PRODUCTION INCREASES AND THE CANADIAN UNCLASSIFIED

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PRODUCERS ARE ABLE TO OFFER BUYERS PROMPT DELIVERY OF THE REQUIRED GOODS THERE SHOULD BE NO INSUPERABLE DIFFICULTIES PREVENTING THE REPLACEMENT OF THE BULK OF AMERICAN IMPORTS BY CANADIAN PRODUCTION. THIS IN ITSELF PROVIDES SCOPE FOR SIGNIFICANT INCREASES IN THE LATTER."

THE REPORT ALSO STATES THAT "ALTHOUGH THE BOARD IS NOT MAKING ANY RECOMMENDATION REGARDING SPECIAL MEASURES OF PROTECTION COVERING SHEETS AND PILLOWCASES AT THIS TIME, IT WILL CONTINUE TO KEEP THE SITUATION UNDER CLOSE OBSERVATION WITH A VIEW TO MAKING A RECOMMENDATION PROMPTLY IF EVENTS SHOULD INDICATE THIS IS NECESSARY."

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IN VIEW OF THESE FINDINGS, THERE ARE NO GROUNDS
FOR EXPECTING EXPORTING COUNTRIES, NINE IN ALL, TO BE
WILLING TO CONTINUE THE RESTRAINT ARRANGEMENTS THEY HAD
MADE WITH CANADA. END QUOTE.

5. GILLESPIE ALSO STATED THAT BECAUSE OF "SOME CIR-
CUMVENTION OF EXPORT RESTRAINT ARRANGEMENTS WHICH HAS
BEEN TAKING PLACE BY MEANS OF TANSSHIPMENT", USUALLY
FROM "HONG KONG", THE GOC HAS PLACED BEGIN QUOTE
POLYESTER FILAMENT FABRICS, NYLON FILAMENT FABRICS,
AND KNITTED FABRICS ON THE IMPORT CONTROL LIST, AND
IMPORTERS WILL BE REQUIRED TO PRESENT AN EXPORT
CERTIFICATE TO CUSTOMS FROM THE COUNTRY FROM WHICH
TRANSSHIPMENTS ARE ORIGINATING. END QUOTE.

6. GILLESPIE DECLARED IN STATEMENT THAT THESE ACTIONS
"HAVE BEEN STUDIED IN LIGHT OF CURRENT PROBLEMS IN
TEXTILES, HAVING REGARD FOR THE IMPORTANCE OF OUR
EXPORT TRADE WITH COUNTRIES THAT SUPPLY TEXTILES TO
CANADA, AND THE INTEREST OF THE CONSUMER IN OBTAINING
TEXTILE PRODUCTS AT REASONABLE PRICES. ACCOUNT HAS
ALSO BEEN TAKEN OF CANADA'S INTERNATIONAL OBLIGATIONS,
PARTICULARLY UNDER THE INTERNATIONAL TEXTILES
ARRANGEMENT, AND OUR GENERAL INTERNATIONAL RESPONSIBIL-
ITIES REGARDING FACILITATING TWO-WAY TRADE, ESPECIALLY
WITH DEVELOPING COUNTRIES."
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7. EMBASSY SEEKING CLARIFICATION CERTAIN POINTS AND
WILL TRANSMIT AS SOON AS AVAILABLE. PORTER

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